

PIONEER RAILROAD EQUIPMENT CO., LTD
1318 SOUTH JOHANSON ROAD • PEORIA, ILLINOIS 61607 • (309) 697-1400

October 27, 1999

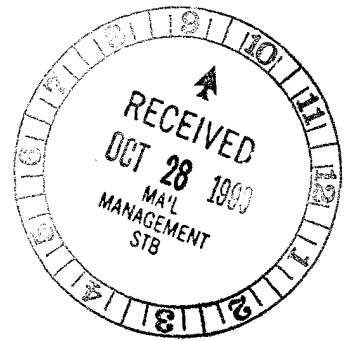
Surface Transportation Board
Recordation Unit
1925 "K" Street, N.W.
Washington, D.C. 20423

RECORDATION NO. 22514

FILED

NOV 2 '99

10-45AM



Dear Sir or Madam:

Enclosed for recording, is a Financing and Railcar Management Agreement, covering the security interest in the sale of certain specified RBL boxcars from Pioneer Railroad Equipment Co., LTD., to the New York & Greenwood Lake Railway. Also enclosed is a check in the amount of \$26.00, as requested, and a copy of the Financing and Railcar Management Agreement, which I ask that you file-stamp and return to me.

I appreciate your assistance with this matter. If you have any questions, please do not hesitate to call me.

Sincerely,

Jonathan L. Kazense

Jonathan L. Kazense
General Counsel

Enclosures.

FINANCING AND RAILCAR MANAGEMENT AGREEMENT

This Financing and Railcar Management Agreement is entered into by and between Pioneer Railroad Equipment Co., Ltd., an Iowa corporation (hereinafter "Pioneer") and New York & Greenwood Lake Railway Co., a New Jersey corporation (hereinafter "NYGL") pursuant to a Purchase and Sale Agreement dated October 25 1999, and sets forth the terms and conditions governing the repayment by NYGL of the purchase price of the 10 RBL boxcars (hereinafter "Equipment") to Pioneer.

In consideration of the mutual covenants set forth in this Financing and Railcar Management Agreement, and intending to be legally bound, Pioneer and NYGL agree as follows:

1. FINANCE.

Subject to the terms and conditions hereof, Pioneer agrees to make a term loan to NYGL of SEVEN THOUSAND FIVE HUNDRED FIFTY DOLLARS (\$7,550.00) per RBL boxcar on Ten (10) total RBL boxcars for a total principal loan amount of SEVENTY FIVE THOUSAND FIVE HUNDRED DOLLARS (\$75,500.00) (the "Loan"). Said principal loan amount shall include all transportation charges from Holly Springs, Mississippi to Garfield, New Jersey. NYGL shall not be required to make a down payment on the Equipment. The loan shall be evidenced by a promissory note of NYGL, in the form set forth in Exhibit "A" attached hereto.

The NYGL promises to pay interest on the unpaid principal balance from time to time outstanding on the loan at a rate equal to the Prime New York interest rate, currently at SEVEN AND THREE QUARTERS PERCENT (7.75%), plus TWO PERCENT (2%) per annum (computed on the basis of a 30 day month and a year of 360 days). Said interest rate shall be adjusted as the prime interest rate fluctuates. Said adjustment shall be made in the month following the prime rate adjustment.

The principal hereof and interest accrued hereon shall be paid together in SIXTY (60) equal consecutive monthly installments, each in the amount of ONE THOUSAND FIVE HUNDRED NINETY FOUR DOLLARS AND EIGHTY EIGHT CENTS (\$1,594.88), with the first such installment payable NINETY (90) days after interchange of the Equipment to New York & Greenwood Lake Railway at Garfield, New Jersey by the Norfolk Southern (NS) and thereafter on the same day of each succeeding month until SIXTY (60) consecutive monthly payments have been made at which time the entire remaining balance, if any, hereof and all accrued and unpaid interest shall be paid in full. Said monthly payment amount to increase or decrease with the increase or decrease in the Prime interest rate. Said increase or decrease in the monthly payment to be reflected in the month following any increase or decrease in the Prime interest rate. Each monthly installment shall be applied first to the accrued interest, then to principal and thereafter to any other costs then due. The monthly payment will be paid from the car hire revenue the Equipment earns while offline. Pioneer will collect and administer the car hire money pursuant to Section 6 detailed below.

NYGL shall have the right but not the obligation to prepay any or all of the principal amount due at any time prior the final payment of this Financing Agreement. If NYGL does elect to make prepayment of the full amount of the Loan then the prepayment shall equal the

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principal balance then owing plus accrued interest for partial month

2. SECURITY INTEREST.

To secure the full and timely payment and performance of all obligations and indebtedness of NYGL to Pioneer arising under this Loan and the Note attaching thereto (the "Note"), NYGL hereby grants to and creates in favor of Pioneer a security interest in: (a) the Equipment set forth on the attached Schedule 1, together with all attachments, accessories, additions, replacements and substitutions thereto, whether now owned or hereafter acquired, and (b) all proceeds (cash or non-cash), insurance proceeds and any and all chattel paper, accounts, contract rights and general intangibles arising from the sale, lease or other disposition of the Equipment.

Pioneer shall not be obligated to release its security interest in any of the above collateral until all obligations existing hereunder are satisfied in full. Nothing contained herein shall be deemed to authorize NYGL to sell, lease or dispose of the Equipment.

Upon the appropriate filings with the Surface Transportation Board ("STB") the security interest contemplated hereby will at all times constitute a valid, perfected and enforceable first priority security interest in favor of Pioneer, subject to no other security interest, mortgage, lien or encumbrance.

3. COVENANTS APPLICABLE TO EQUIPMENT.

Pioneer and NYGL agree that, at all times during the term of this Agreement, the following provisions shall be applicable:

(A) NYGL is duly organized, validly existing and in good standing under the laws of the State of New Jersey and has the corporate power and authority to own and operate the Equipment and to conduct the business in which it is currently engaged, and to make, deliver and perform this Agreement and the Note and to borrow hereunder, and has taken all necessary corporate action and obtained any necessary governmental consent or authorization to authorize borrowings on the terms and conditions of this Agreement and the Note and to authorize the execution, delivery and performance of this Agreement and Note, which have been or will be duly executed and delivered, and which accordingly constitute or will constitute legal, valid and binding obligations of NYGL enforceable against NYGL in accordance with their respective terms.

(B) NYGL agrees to comply with all laws of the jurisdictions in which its operations involving the Equipment may extend, with the interchange rules of the Association of American Railroads and with all lawful rules of the United Department of Transportation, the STB and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Equipment, to the extent that such laws and rules effect title, operation, maintenance or use of the Equipment, and in the event such laws or rules require any alteration, replacement or addition of or to any Equipment NYGL will conform thereto at its own expense.

(C) NYGL will indemnify and save harmless Pioneer, its successors and assigns, employees, officers, directors and agents from and against any and all claims or suits for any loss, damage or injury sustained by any person whatsoever by reason of the sale, financing, sue or disposition of the Equipment, and in this connection, NYGL shall pay the costs of all reasonable legal fees and all other reasonable expenses incurred by Pioneer.

(D) NYGL shall keep the Equipment free and clear of all liens, charges and encumbrances.

(E) NYGL, at its own cost and expense, shall cause the Equipment to be maintained and preserved in good condition, repair and working order, ordinary wear and tear excepted.

(F) NYGL shall bear the entire risk of loss of, damage to, or destruction of the Equipment. NYGL shall, at its own expense maintain (1) actual cash value insurance on the Equipment naming Pioneer as a Loss Payee and (2) single limit public liability and property damage insurance of not less than \$1,000,000.00 per occurrence. Policies shall be obtained from responsible insurers authorized to do business in New Jersey. Each such policy shall provide that the insurance company shall give Pioneer thirty (30) days prior written notice of the effective date of any alteration or cancellation of such policy.

(G) NYGL shall retain possession of the Equipment, and shall not sell, exchange, assign,, loan, deliver, lease without prior written approval of Pioneer, or otherwise dispose of the Equipment. Pioneer acknowledges and consents to the use of the Equipment upon the railroad system of North America, pursuant to the rules and regulations of the STB, Federal Railroad Administration, and the Association of American Railroads.

4. EVENTS OF DEFAULT.

The occurrence of any one or more of the following shall constitute an "Event of Default":

(A) The breach of any term, covenant, warranty or representation contained in this Agreement which is required to be performed or observed by NYGL and which failure is not cured to Pioneer's reasonable satisfaction within ten (10) days after giving of notice by Pioneer to NYGL of such failure.

(B) The failure of NYGL to pay any shortfall within thirty (30) days as detailed in Section 6 below.

(C) A material, adverse change in the financial or operating condition of NYGL.

(D) NYGL ceases to conduct its business, or is enjoined, restrained or in any way prevented by court order, STB decision or other process of law from conducting all or any material part of its business.

(E) Commencement of any insolvency, bankruptcy or similar proceedings by or against NYGL under the provisions of the United States Bankruptcy Code or any other insolvency law or other statute providing for the modification or adjustment of rights of creditors.

(F) Liquidation or dissolution of NYGL or the commencement of any acts relative thereto.

(G) Pioneer, in the exercise of reasonable discretion, deems itself unsecured for any reason whatsoever.

5. RIGHTS AND REMEDIES.

Whenever an Event of Default shall exist, Pioneer may, at its option, exercise any one or more of the following remedies, after five (5) days notice to correct the default, with respect to the Equipment:

(A) Declare all secured obligations immediately due and payable in full, without presentment or other notice or demand.

(B) Secure peaceable repossession of the Equipment without judicial process or the removal of the same by Pioneer or its representatives.

(C) Require NYGL to assemble the Equipment and make it available to Pioneer at a place designated by Pioneer which is reasonably convenient to Pioneer.

(D) Sell the Equipment at public or private sale, without advertisement or notice except that required by Law, for the best price that Pioneer can obtain and upon such terms as Pioneer may deem advisable and be the purchaser at such sale. NYGL shall be liable for any deficiency remaining after the sale of the Equipment and application of the net proceeds to the secured obligations. If such proceeds exceed the amount due and owing Pioneer for such secured obligations, Pioneer agrees to pay over the surplus to NYGL.

(E) Require NYGL to pay all expenses of such retaking, selling, or the like, including Pioneer's reasonable attorneys' fees and legal expenses, incurred in the collection of any of the secured obligations and the enforcement of any of Pioneer's rights.

(F) Exercise any other right or remedy which may be available to Pioneer under the Uniform Commercial Code or any other applicable law, equity or agreement or proceed by appropriate court action to enforce the terms of this Agreement or to recover damages for the breach of this Agreement.

NYGL agrees to pay reasonable attorneys' fees whenever an attorney is used to collect on or enforce this Agreement or to enforce, defend, declare or adjudicate any of

Pioneer's rights or interests hereunder or with respect to any Equipment, whether by suit, negotiation or otherwise and regardless of the forum excluding inquiries not involving NYGL's default or nonperformance, including, but not limited to, credit checks, auditors' letters, and inquiries from brokers, stock exchanges and regulatory agencies.

All rights and remedies of Pioneer pursuant to the provisions of this Agreement are cumulative, and may, to the extent permitted by law, be exercised concurrently or separately, and the exercise or partial exercise of any right or remedy shall not be deemed to be an election of such right or remedy or to preclude any other or further or future exercise of any other right or remedy. No failure on the part of Pioneer to exercise, and no delay in exercising, any right or remedy hereunder shall operate as a waiver thereof or of any similar or other right or remedy in the future.

6. RAILCAR MANAGEMENT.

During the full term of the Note, or any shorter duration if NYGL elects to prepay the Note in full, Pioneer shall manage the car hire earnings from the Equipment. The Equipment shall continue to bear the same railroad reporting marks as they bear on the date of this Agreement. Pioneer will collect all earnings the Equipment earns until the Loan is fully repaid. Pioneer will pay all fees to maintain the Equipment in UMLER and all required publications. Pioneer will also handle and pay from car hire earnings all car repairs bills generated while the Equipment is off line on foreign railroads. Pioneer will collect a fee of \$10.00 per car per month for the above service.

The Equipment will have NYGL's marks entered into UMLER under the "Owner ID field". NYGL shall provide to Pioneer its UMLER "passkey" for the purpose of establishing and maintaining a pool assignment to allow reverse routing of cars. If at anytime NYGL changes its "passkey" it will immediately advise Pioneer of that new "passkey". NYGL will take no action or enter into any agreements whereby the result is that the hourly car hire earnings are waived, lowered or otherwise effected from their levels at the time of the signing of this Agreement.

Pioneer will issue to NYGL a monthly report listing the monthly car hire earnings, the collected cash receipts, the disbursements to Pioneer for repayment of the Loan and any other disbursements such as car repair bills. The monthly report will show the ongoing cash balance available. If there is a shortfall between the ongoing balance and the total of the repayment of the Loan and car repair bills then Pioneer will bill NYGL for the shortfall every six (6) months. NYGL shall pay to Pioneer the total amount of the shortfall within thirty (30) days of the shortfall bill. Any shortfall amount will be added to the Loan balance and begin to accrue interest at the end of thirty (30) days after billing.

7. MISCELLANEOUS.

This Agreement and all of the provisions hereof shall inure to the benefit of the parties hereto and their respective legal representatives, successors and assigns; provided, however, that NYGL may not assign this Agreement or any provision thereof without the prior written consent of Pioneer.

This Agreement may not be amended, modified, changed, discharged or waived in any respect except by a written instrument signed by both parties

If any provision of this Agreement shall be held to be invalid, illegal or unenforceable in any respect, then such provision shall be deemed null and void as to that provision without invalidating the remaining provisions hereof.

All representations, warranties, covenants, agreements and obligations shall survive the termination of this Agreement and shall remain in full force and effect to the extent required for their full observance and performance.

This Agreement and the Note shall be deemed to have been executed in Peoria, Illinois, and shall be governed, construed and enforced in accordance with the laws of the State of Illinois, without regard to the principles of conflicts of laws. Any litigation arising out of this Agreement shall be instituted and maintained in the courts of the State of Illinois, and the parties consent to jurisdiction over their person and over the subject matter of any such litigation in those courts, and consent to service of process issued by such courts.

Any notice required or permitted to be served under the terms of this Agreement shall be sent by certified mail, postage fully prepaid, and return receipt requested, to the parties at the following addresses:

To Pioneer: Pioneer Railroad Equipment Co., LTD.
1318 S. Johanson Road
Peoria, Illinois 61607
Attn: General Counsel.

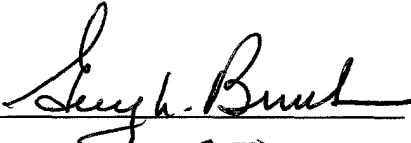
To NYGL: New York & Greenwood Lake Railway Co.
P. O. Box 106
Erie Railroad Station
Glen Ridge, NJ 07028
Attn: James R. Wilson, CEO

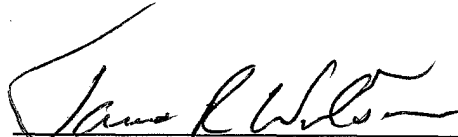
or at such other address as the respective parties may from time to time give written notice.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the 25th day of October, 1999.

PIONEER RAILROAD
EQUIPMENT CO., LTD.

NEW YORK & GREENWOOD
LAKE RAILWAY CO.

By: 
Name: CEO
Its:

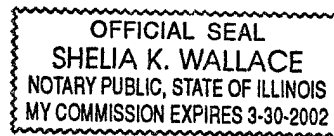
By: 
Name: CEO
Its:

STATE OF ILLINOIS)
) SS
COUNTY OF Peoria)

The undersigned authority, a Notary Public in and for said County and State, hereby certifies that Guy D. Brenkman, of Pioneer Railroad Equipment Co., Ltd., signed the foregoing instrument and, being known to me, acknowledged before me this day that, being informed of the contents of said instrument, he signed as such officer and with full authority, executed the same voluntarily for and as the act of said corporations.

Given under my hand and official seal this 25th day of October, 1999.

Shelia K. Wallace
Notary Public



STATE OF New Jersey)
) SS
COUNTY OF Essex)

The undersigned authority, a Notary Public in and for said County and State, hereby certifies that JAMES R. WILSON, of New York & Greenwood Lake Railway Co. signed the foregoing instrument and, being known to me, acknowledged before me this day that, being informed of the contents of said instrument, he signed as such officer and with full authority, executed the same voluntarily for and as the act of said corporations.

Given under my hand and official seal this 20th day of October, 1999.

June G. Grasso
Notary Public

JUNE G. GRASSO
NOTARY PUBLIC OF NEW JERSEY
Expires July 31, 2001

EXHIBIT A

CARS INCLUDED IN FINANCING AND RAILCAR MANAGEMENT AGREEMENT

TYPE OF CAR

NUMBER

RBL BOXCAR

ALAB #32727

"

ALAB #32754

"

ALAB #32710

"

ALAB #32751

"

ALAB #32768

"

ALAB #32704

"

ALAB #32739

"

ALAB #32730

"

ALAB #32707

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ALAB #32717